

Overview of the Macedonian Economy

U.S. Embassy Skopje

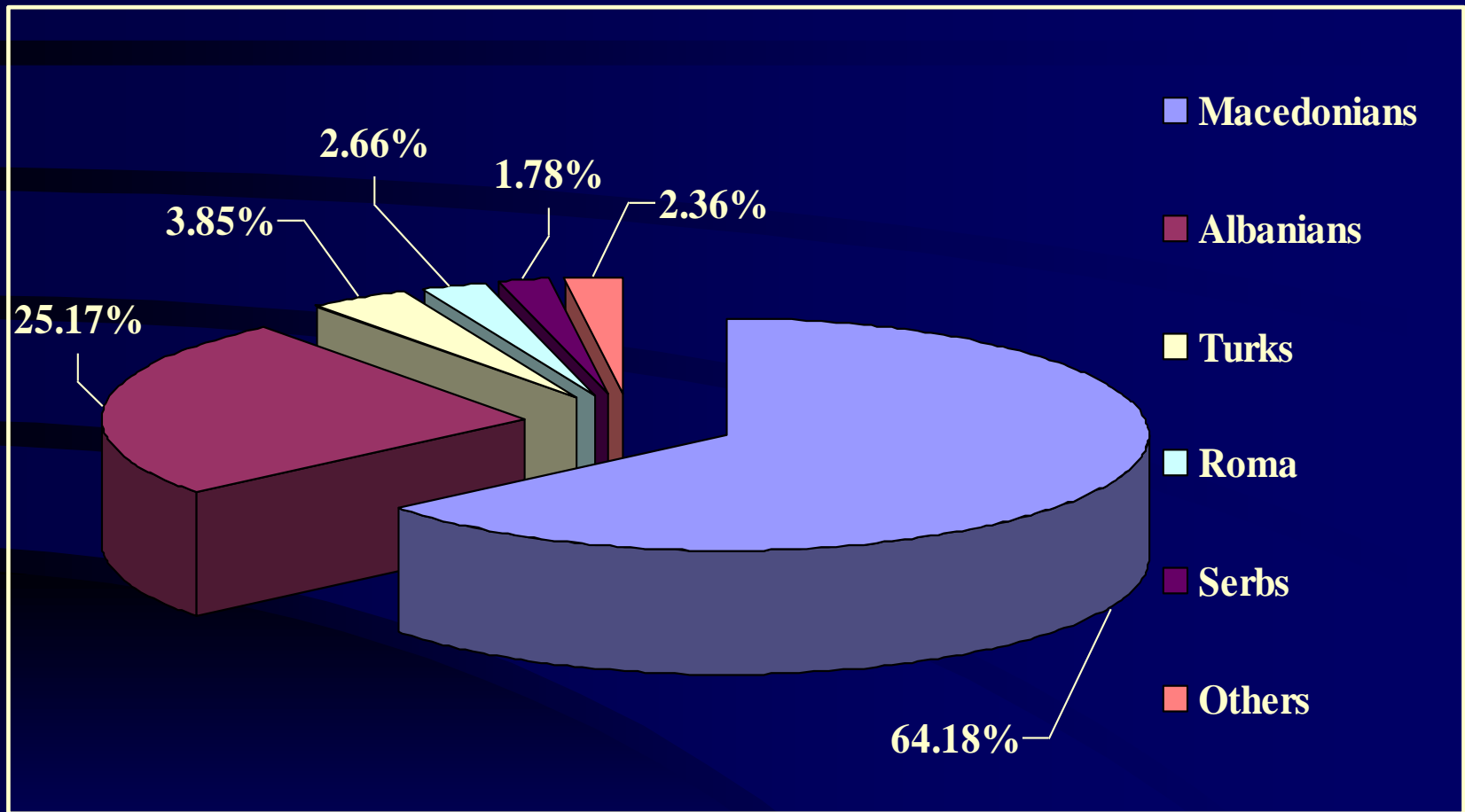
Important events

- September 8th, 1991, a referendum on sovereignty and independence
- November 17th, 1991, Constitution was adopted
- April 26th, 1992, monetary independence and introduction of new national currency - Denar
- April 8th, 1993, Macedonia became the 181st member of the UN
- April 1993, Macedonia became a member of the World Bank and the IMF
- April 4th, 2003, Macedonia became a member of the WTO
- November 2005, Macedonia became candidate country for membership in the EU

Demography

- Total area: 25,713 square km
- Total population: 2.0 million
- Growth rate: 0.4%
- Rural: 40.2%
- Urban: 59.8%

Ethnic composition



Source: Census 2002, State Statistical Office of the Republic of Macedonia

Gross Domestic Product (in %)

2000	4.5%
2001	-4.5%
2002	0.9%
2003	2.8%
2004	4.1%
2005	4.1%
2006	4.0%
2007	6.1%
2008	5.0%
2009	-0.9%
2010	1.8%
Q1 '11	5.1%

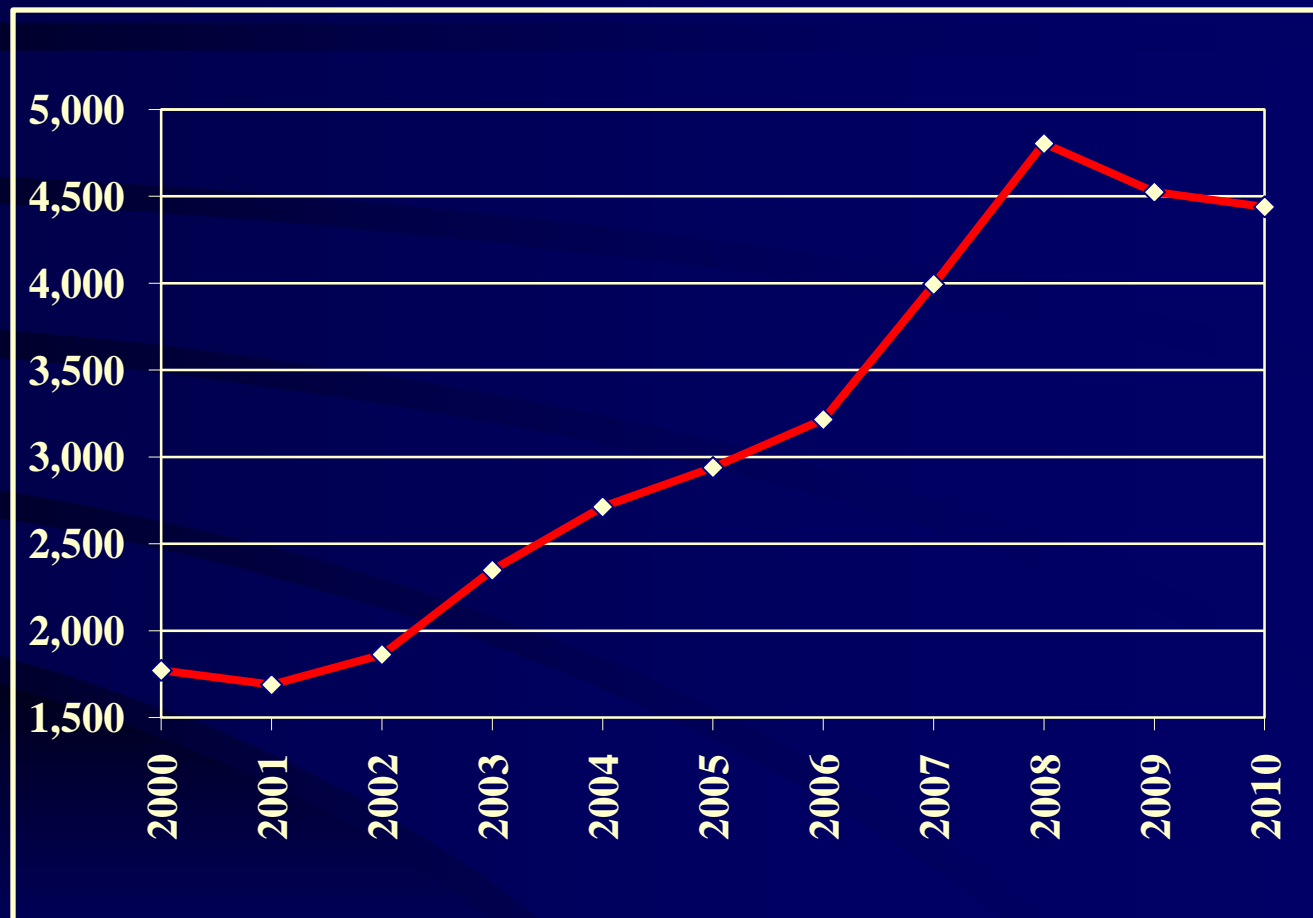
2011 3.5% (GoM projection)



Source: State Statistical Office of the Republic of Macedonia

GDP per capita in US\$

1998	↓	1,783
1999	↓	1,821
2000	↓	1,771
2001	↓	1,689
2002	↓	1,863
2003	↓	2,348
2004	↓	2,713
2005	↓	2,939
2006	↓	3,216
2007	↓	3,994
2008	↓	4,805
2009	↓	4,525
2010	↓	4,440



Source: Ministry of Finance of the Republic of Macedonia

Main components of GDP in Q1 2011

19.5

Mining, quarrying, manufacturing and electricity, gas and water supply

15.6

Trade (wholesale and retail)

13.9

Financial intermediation, real estate, renting and business activities

12.9

Public administration, defense, education, health and social work

9.2

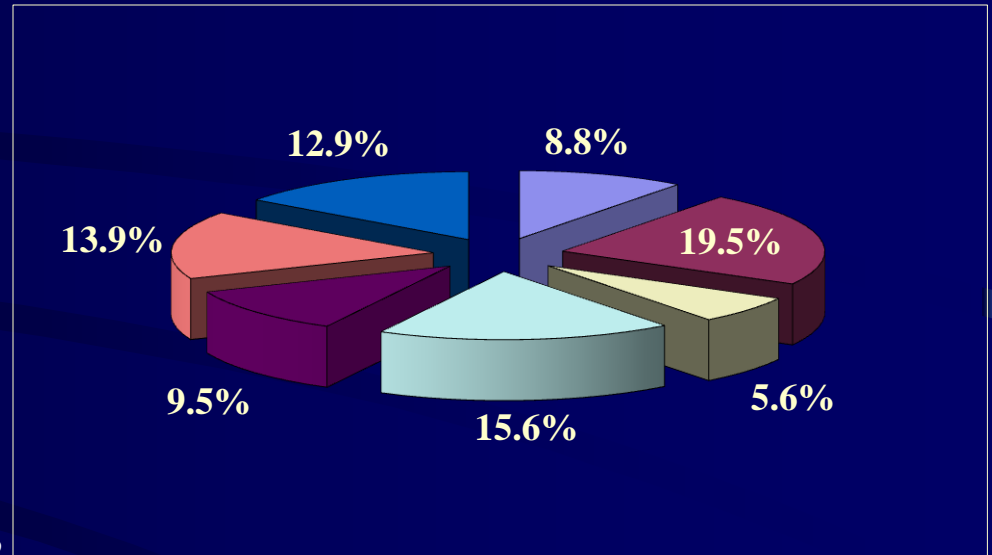
Transport and communication

8.8

Agriculture, forestry and fishing

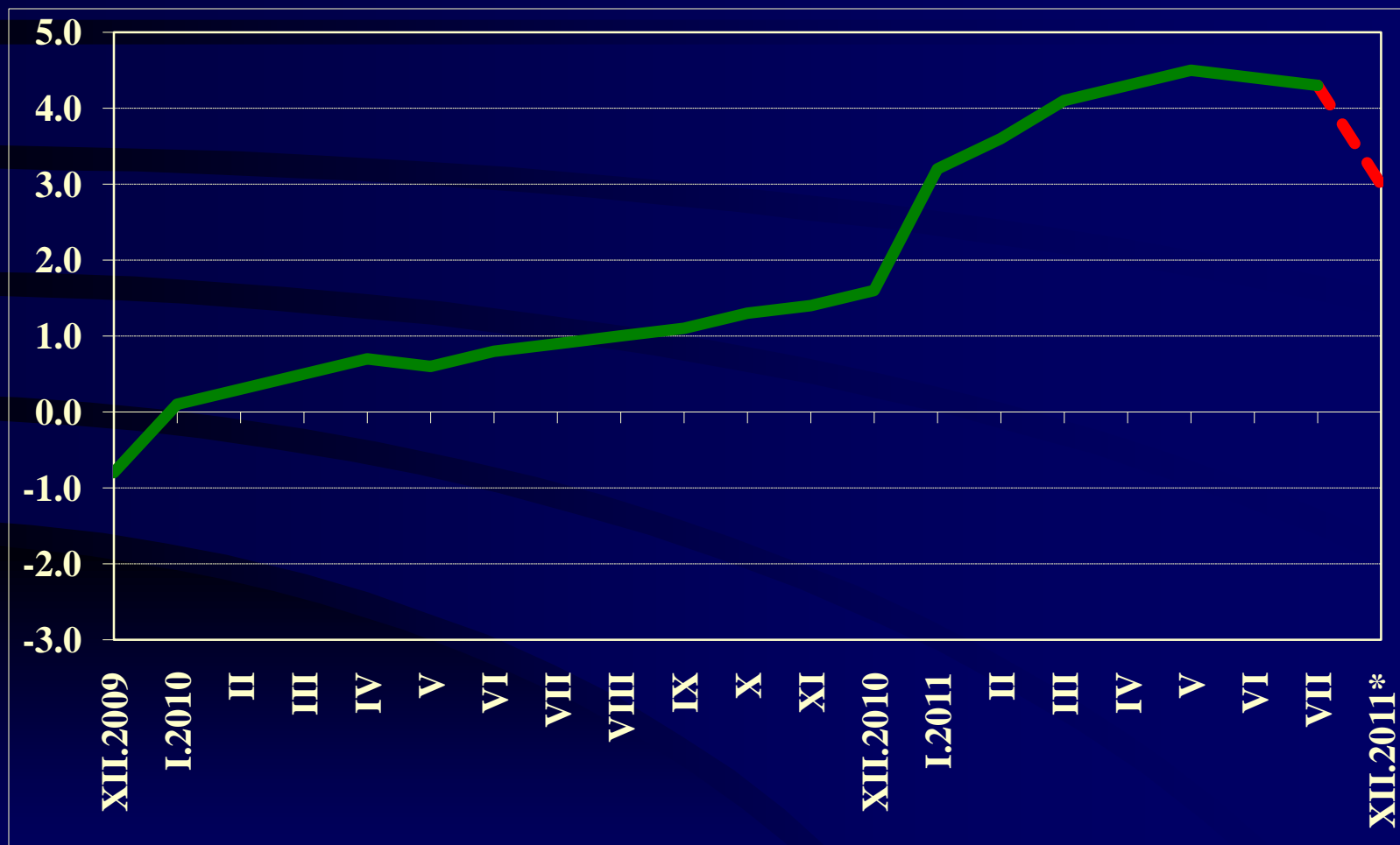
5.6

Construction



Inflation

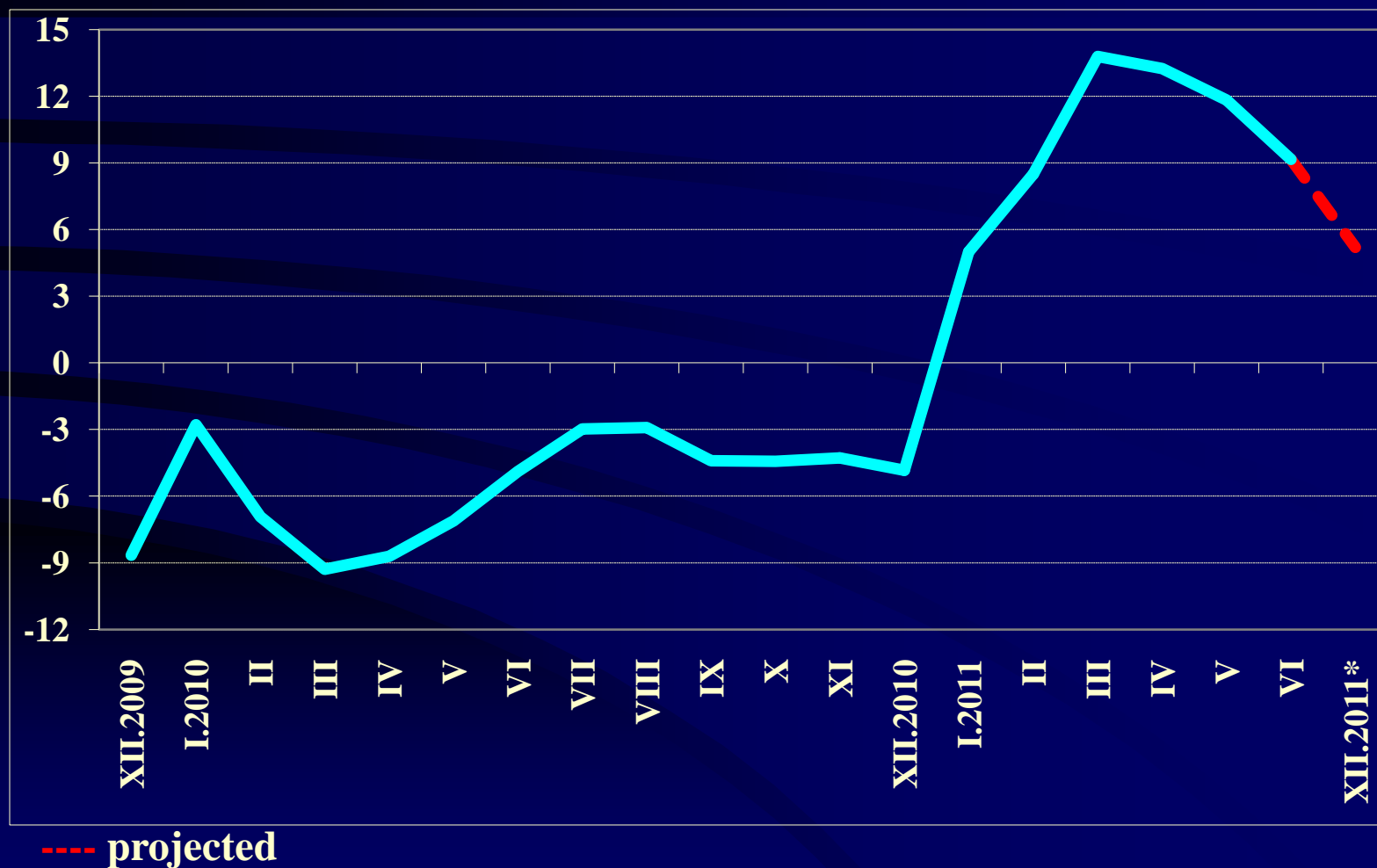
(average rate = period / last year's period)



* projected

Industrial output

(average rate = period / last year's period)



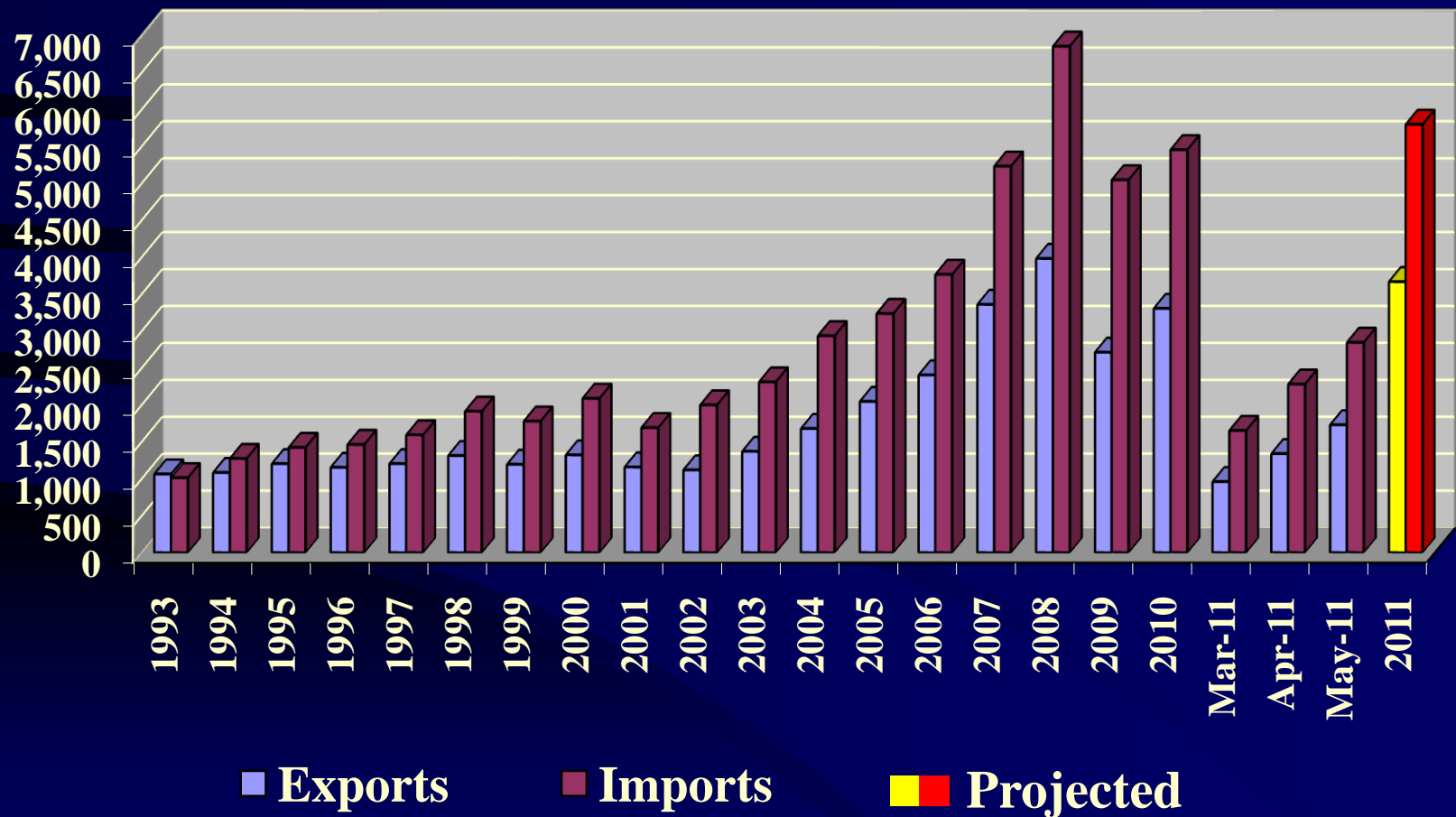
Industrial output by branches

(% change)

	Structure	I-VI '11	I-VI '11
		I-VI '10	I-VI '10
Total	100.00	109.2	9.2
Manufacturing	83.70	113.5	13.5
Production of basic metals	11.47	121.4	21.4
Food production	11.47	98.6	-1.4
Production of wearing apparel	11.32	130.6	30.6
Production of other non-metallic minerals	7.46	114.0	14.0
Tobacco industry	5.81	126.7	26.7
Beverages production	4.91	83.2	-16.8
Production of coke and refined petroleum products	4.53	93.2	-6.8
Production of electrical equipment	4.15	293.5	193.5
Production of fabricated metal products, except machinery and equipment	3.29	104.0	4.0
Production of basic pharmaceuticals and pharmaceutical preparations	2.47	108.0	8.0
Production of chemicals and chemical products	2.29	90.8	-9.2
Production of rubber products and plastics	1.96	111.7	11.7
Production of leather and other leather products	1.63	60.7	-39.3
Textile industry	1.50	80.9	-19.1
Electricity, gas, steam, and air conditioning supply	12.43	88.0	-12.0
Mining and quarrying	3.87	111.3	11.3

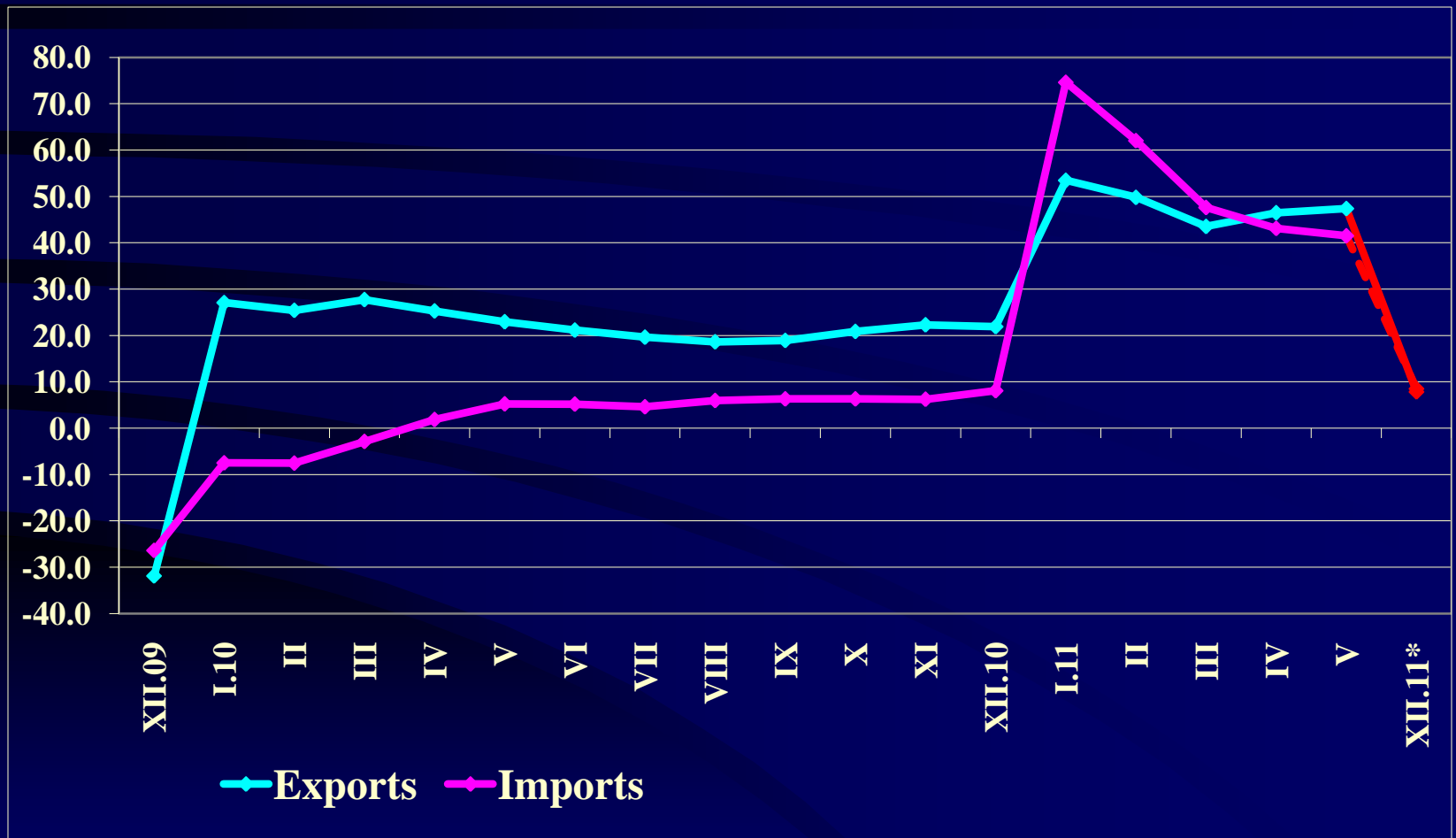
Foreign trade

(in million US\$)



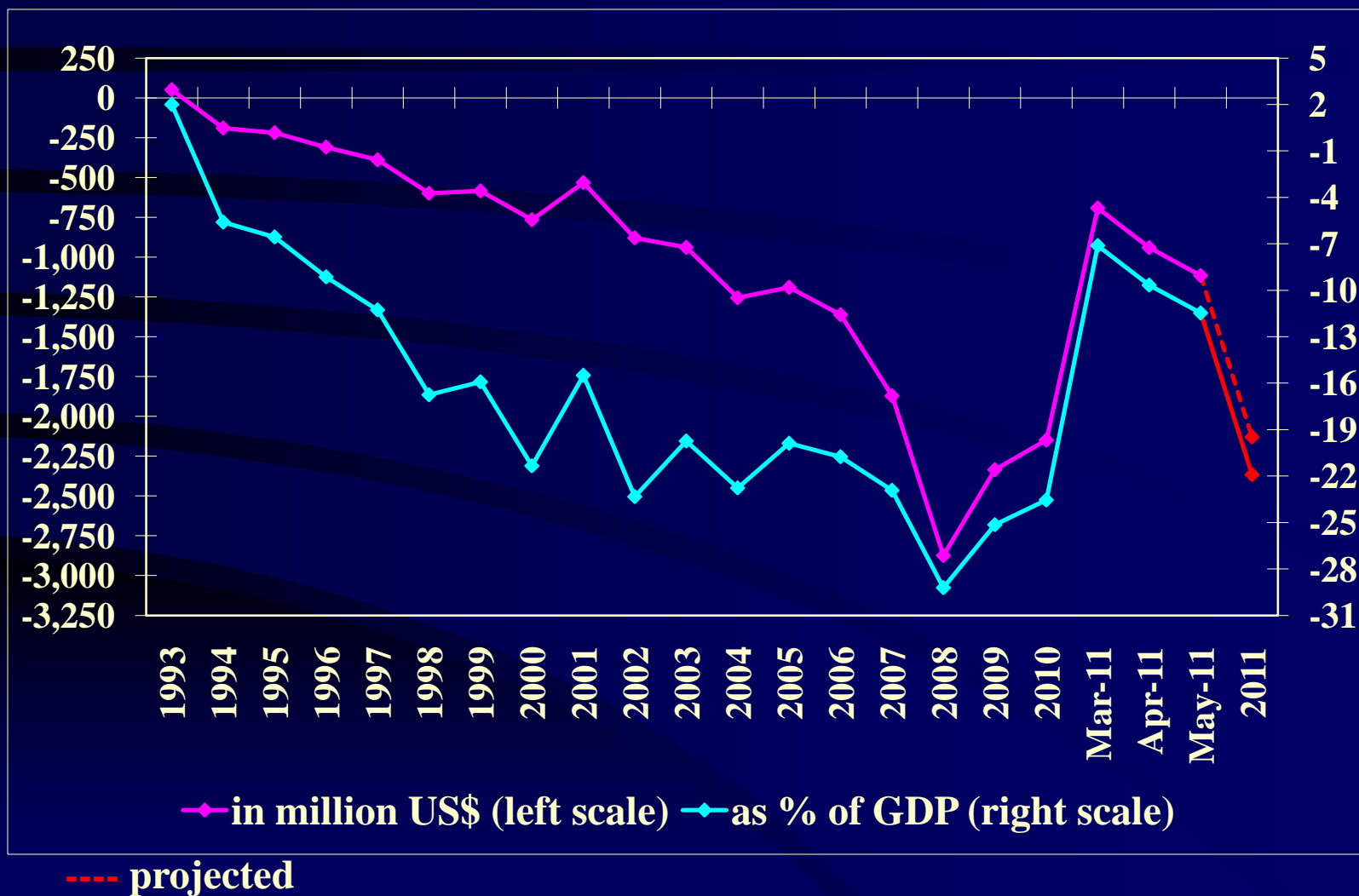
Foreign trade

(in % change = period / last year's period)



* projected

Trade balance



Top trading partners

(at the end of May 2011, in percent of total)

- **Exports**

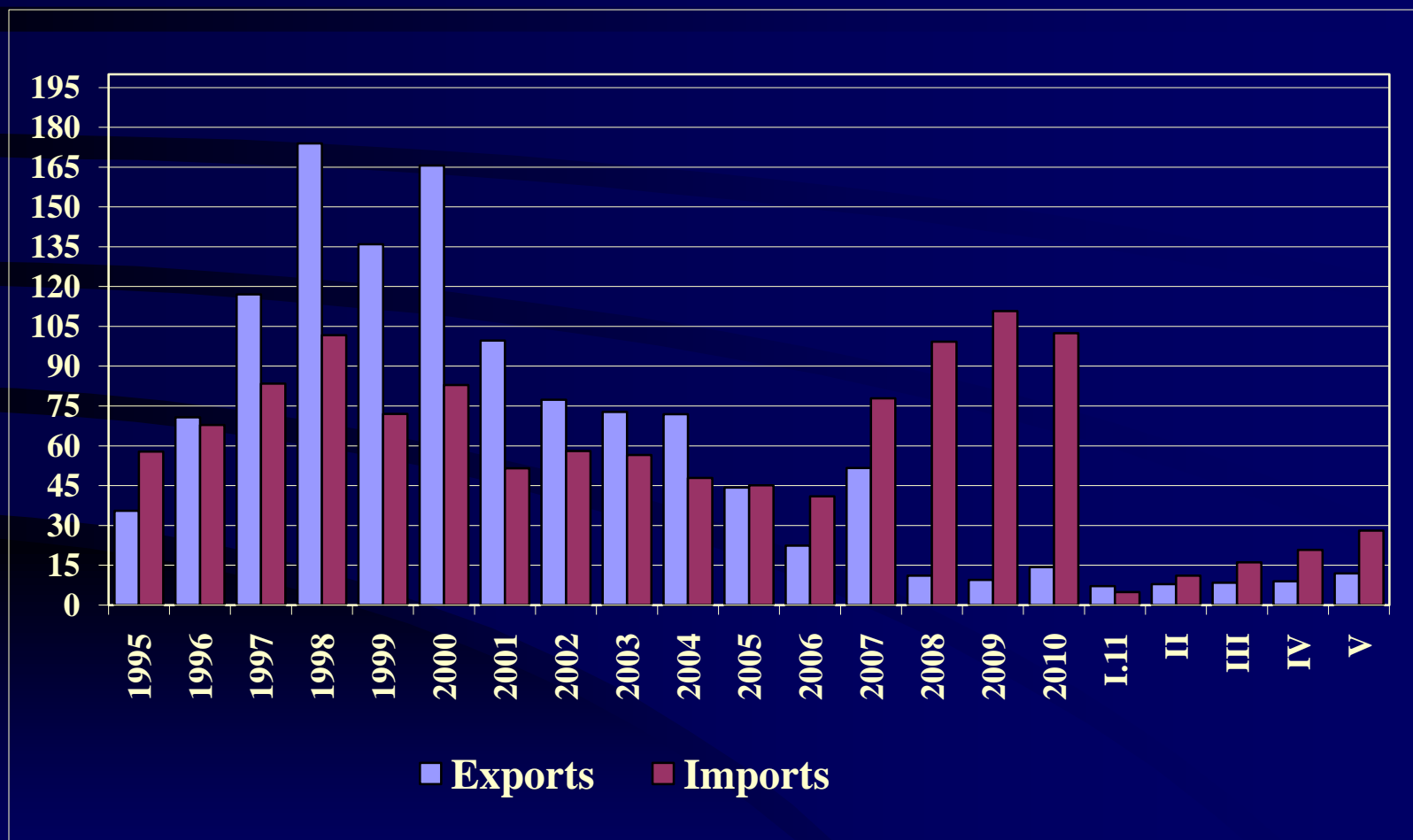
1. Germany = 29.8%
2. Kosovo = 10.6%
3. Bulgaria = 7.4%
4. Serbia = 7.1%
5. Italy = 6.4%
6. Greece = 4.6%
7. Croatia = 3.8%

- **Imports**

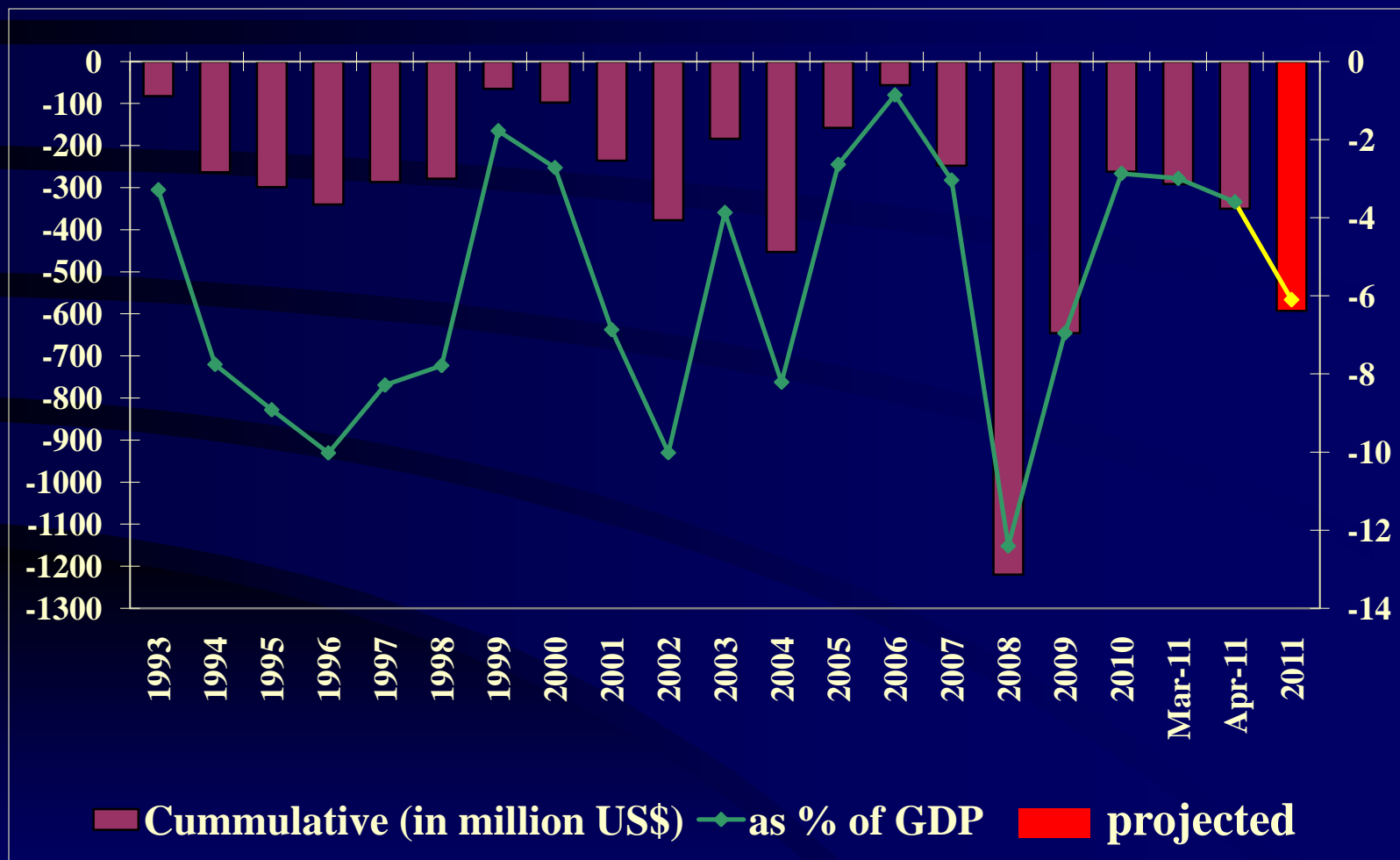
1. Russia = 11.9%
2. UK = 11.4%
3. Germany = 10.9%
4. Serbia = 6.7%
5. Greece = 6.5%
6. Bulgaria = 5.9%
7. Italy = 5.3%

Trade with the USA

(on cumulative basis, in million US\$)



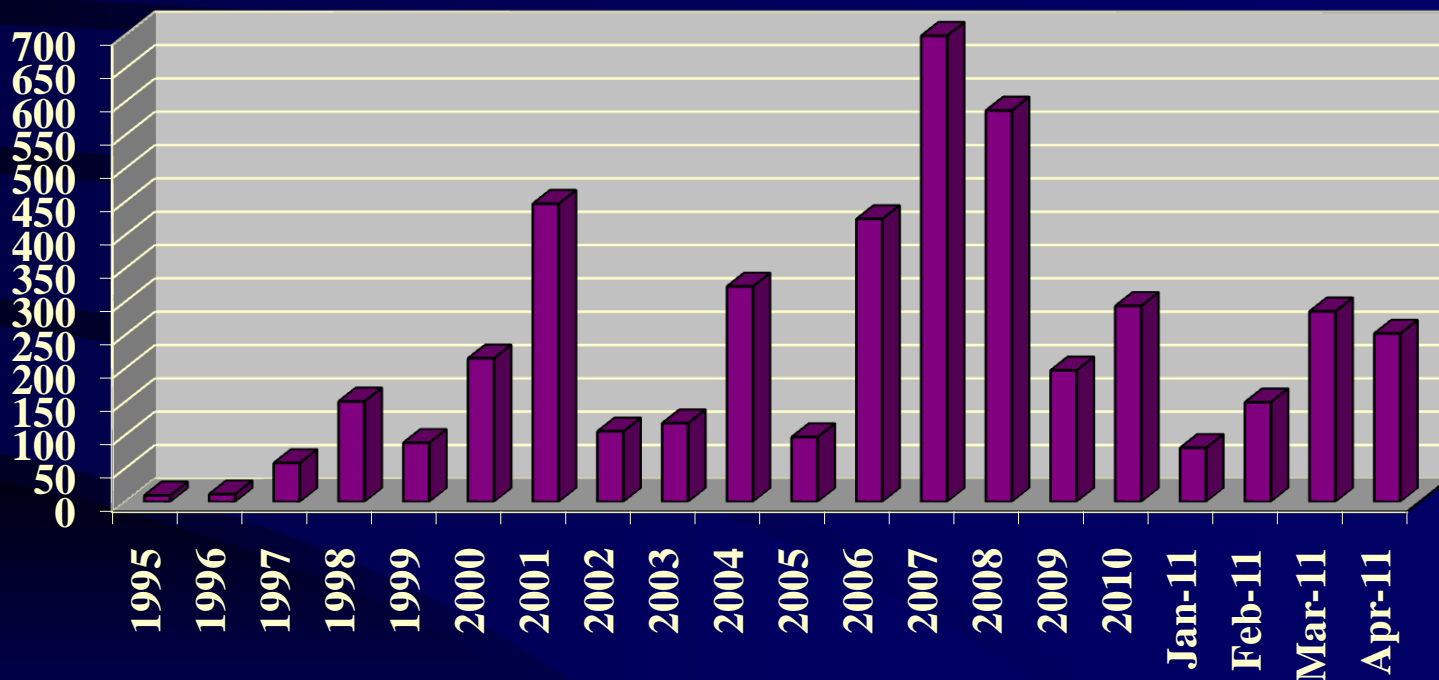
Current account balance



Foreign Direct Investment

(in million US\$)

2001	447.1
⇓	
2002	105.6
⇓	
2003	117.8
⇓	
2004	323.0
⇓	
2005	97.0
⇓	
2006	424.2
⇓	
2007	699.1
⇓	
2008	587.0
⇓	
2009	197.1
⇓	
2010	293.8
⇓	
Apr. '11	252.4



Foreign exchange reserves

(in million US\$)

Dec.1999 458.4



Dec.2000 713.6



Dec.2001 775.2



Dec.2002 734.5



Dec.2003 903.4



Dec.2004 985.7



Dec.2005 1,331.1



Dec.2006 1,871.0



Dec.2007 2,219.2



Dec.2008 2,106.2



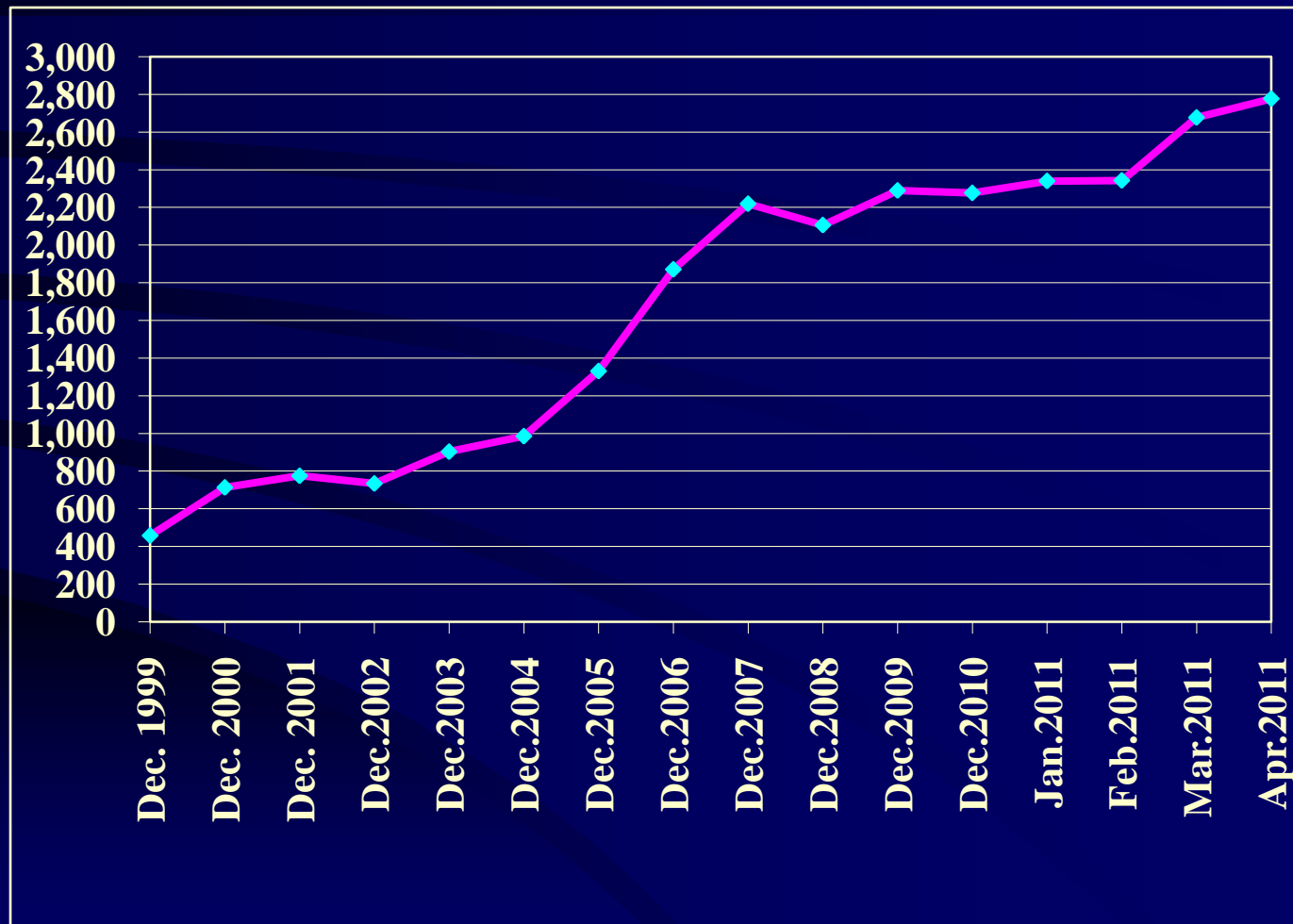
Dec.2009 2,289.8



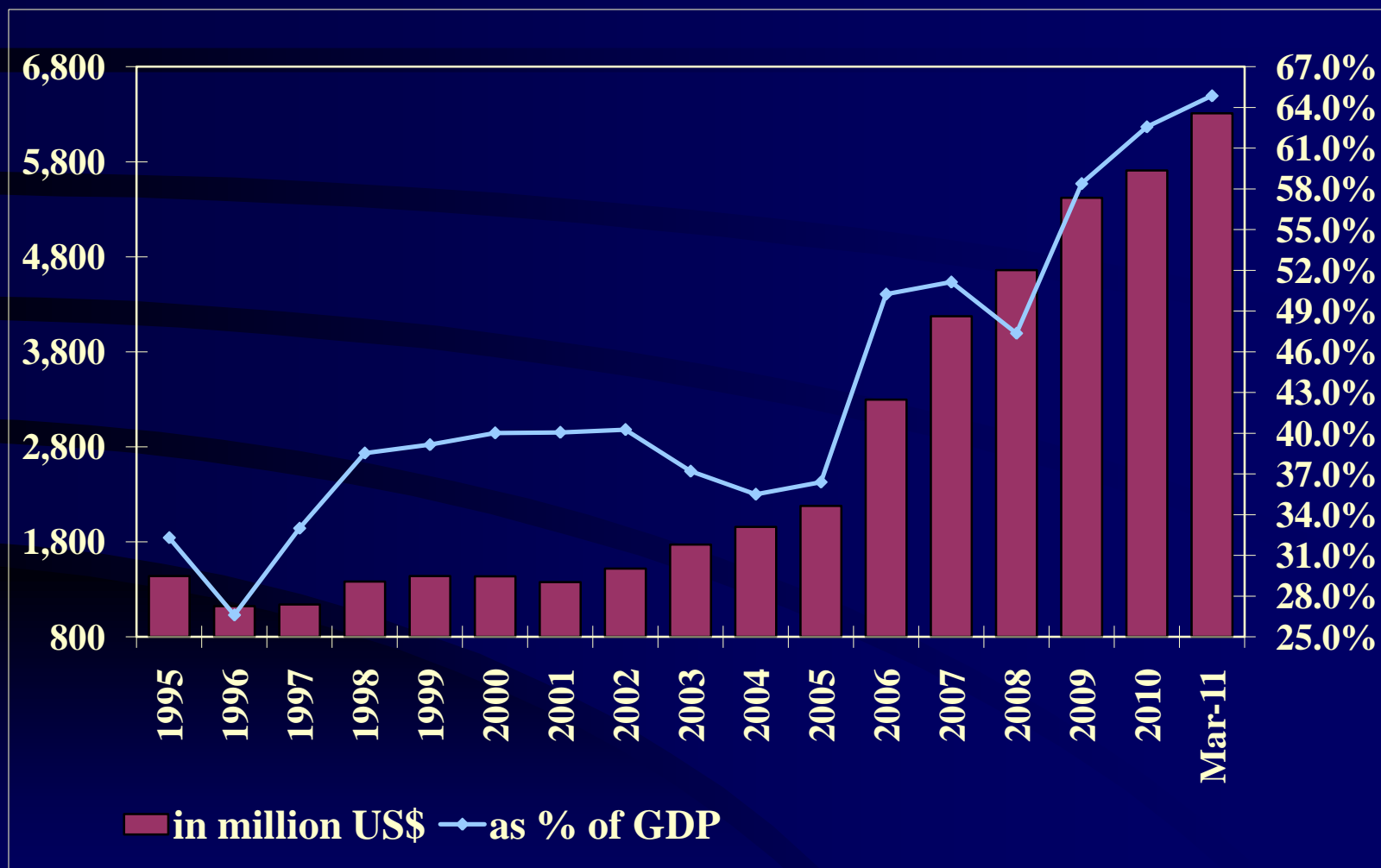
Dec.2010 2,276.9



Apr.2011 2,637.6

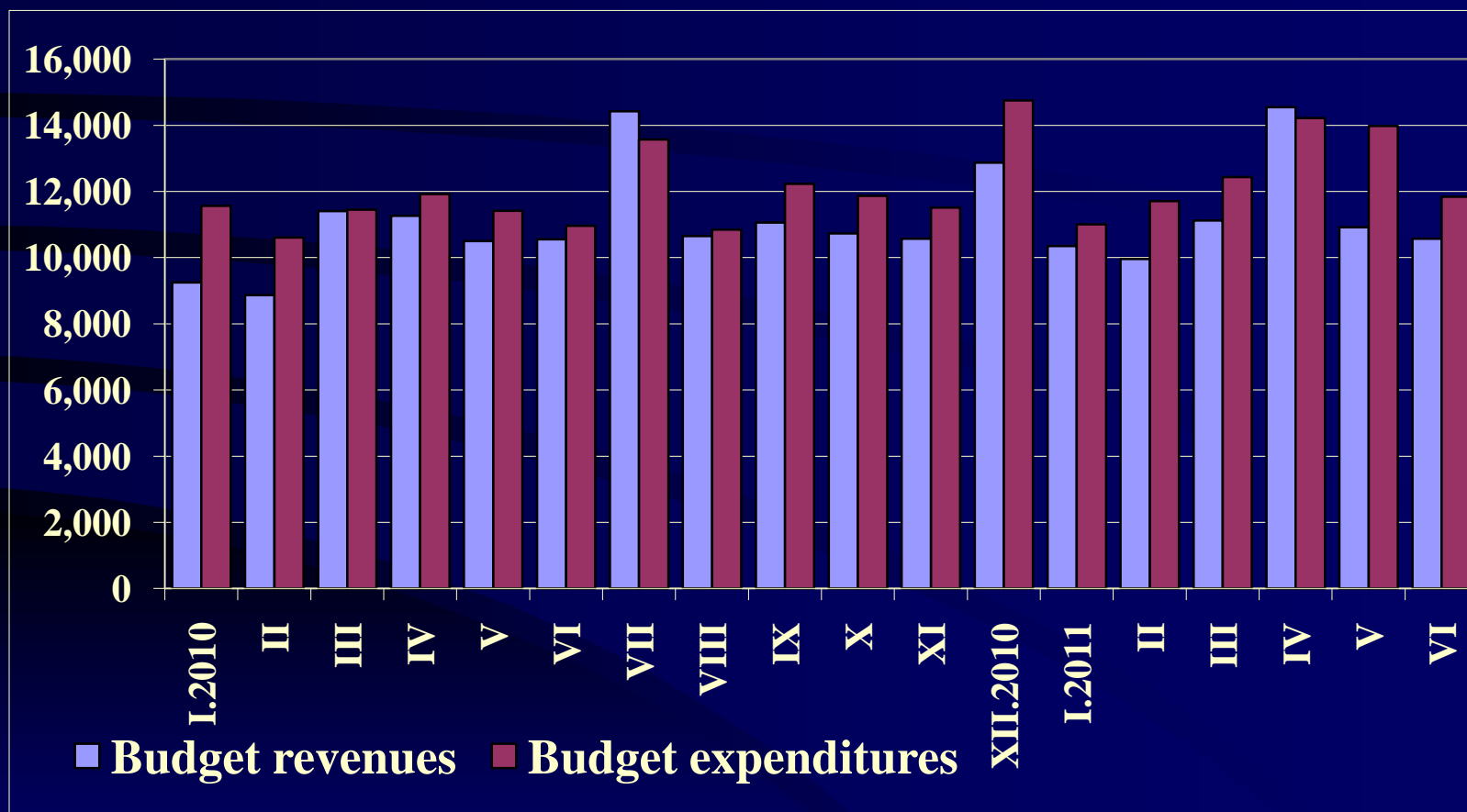


External Debt



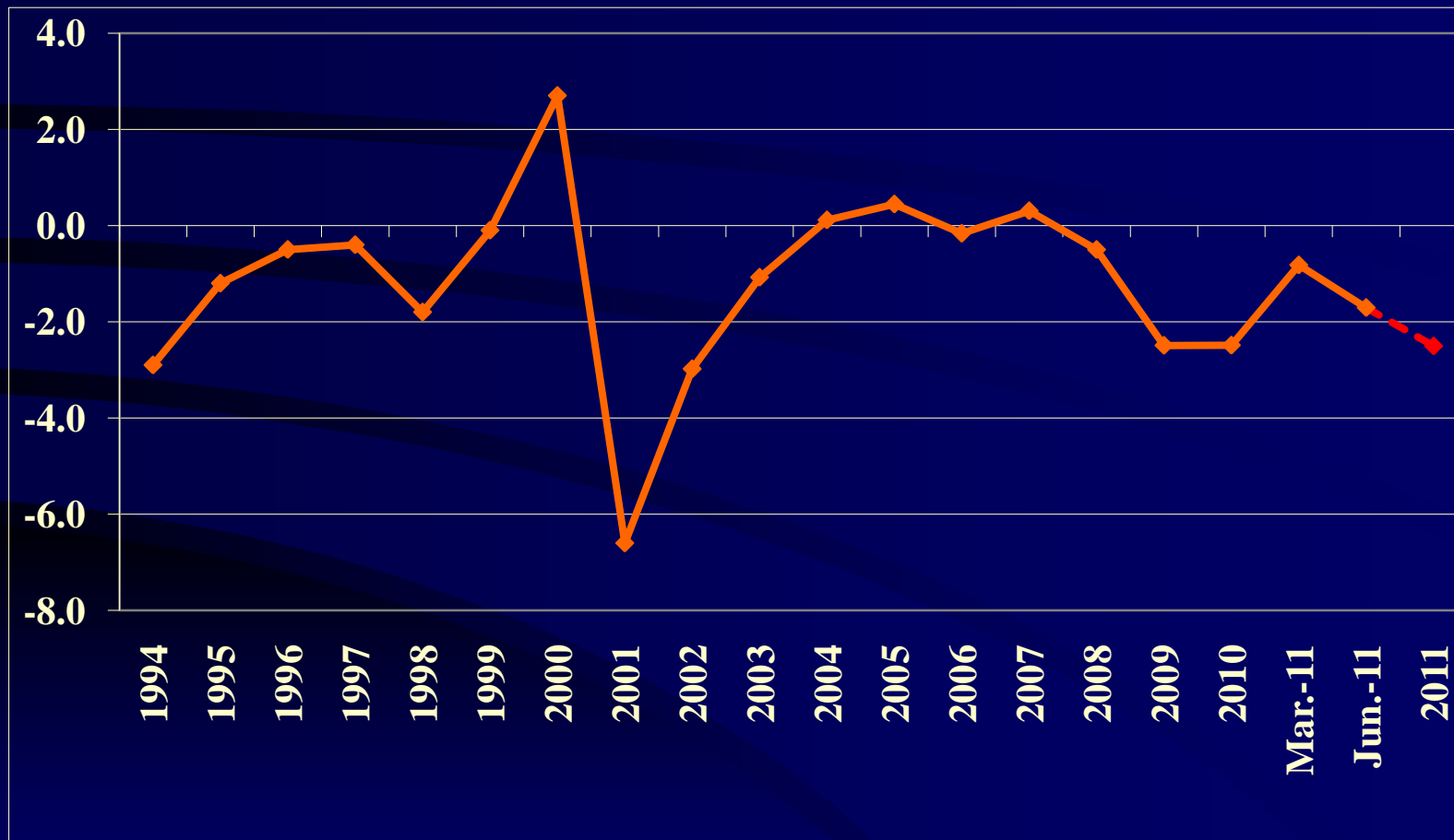
Budget revenues and expenditures

(in million Denar)



Budget balance

(as % of GDP)

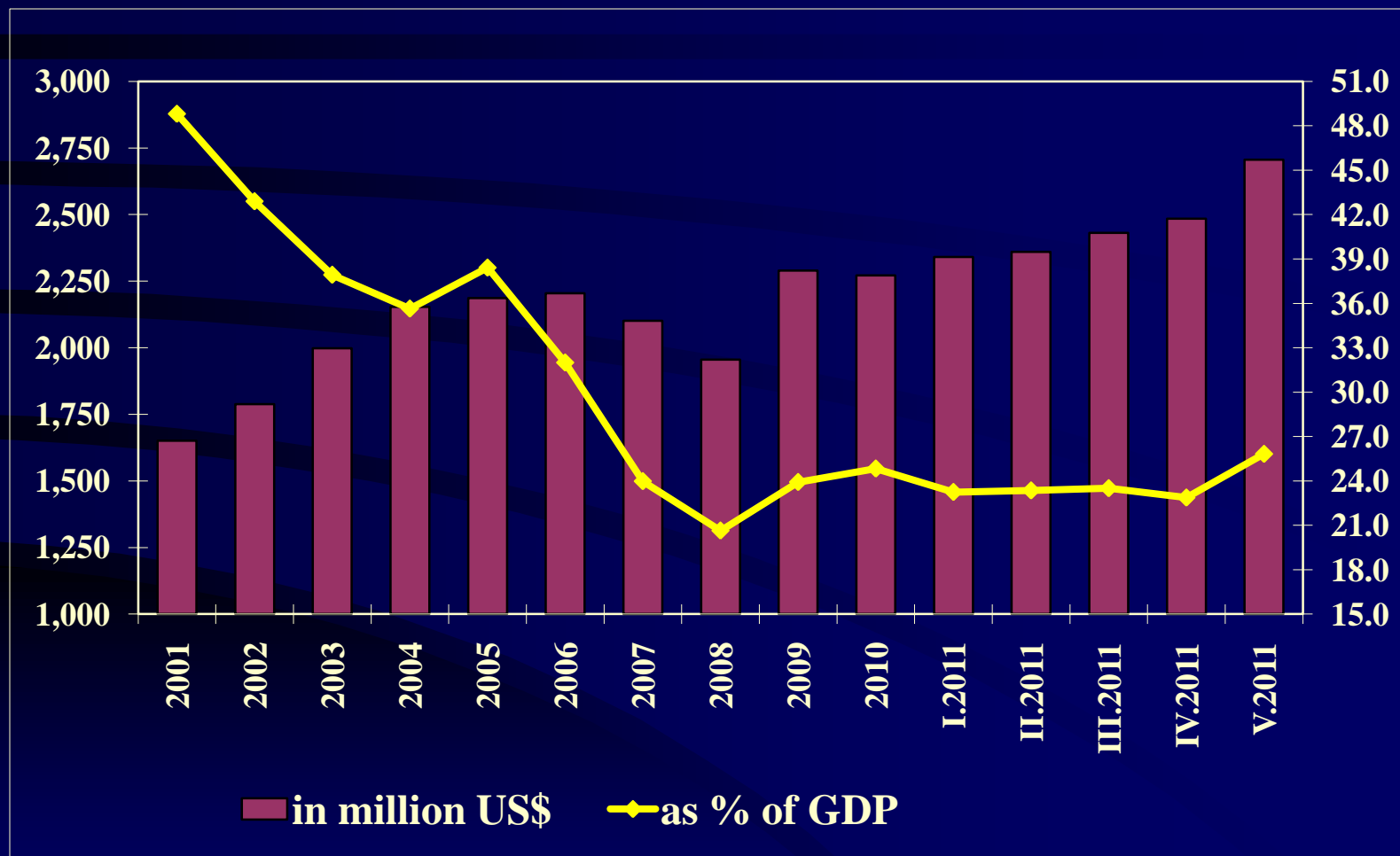


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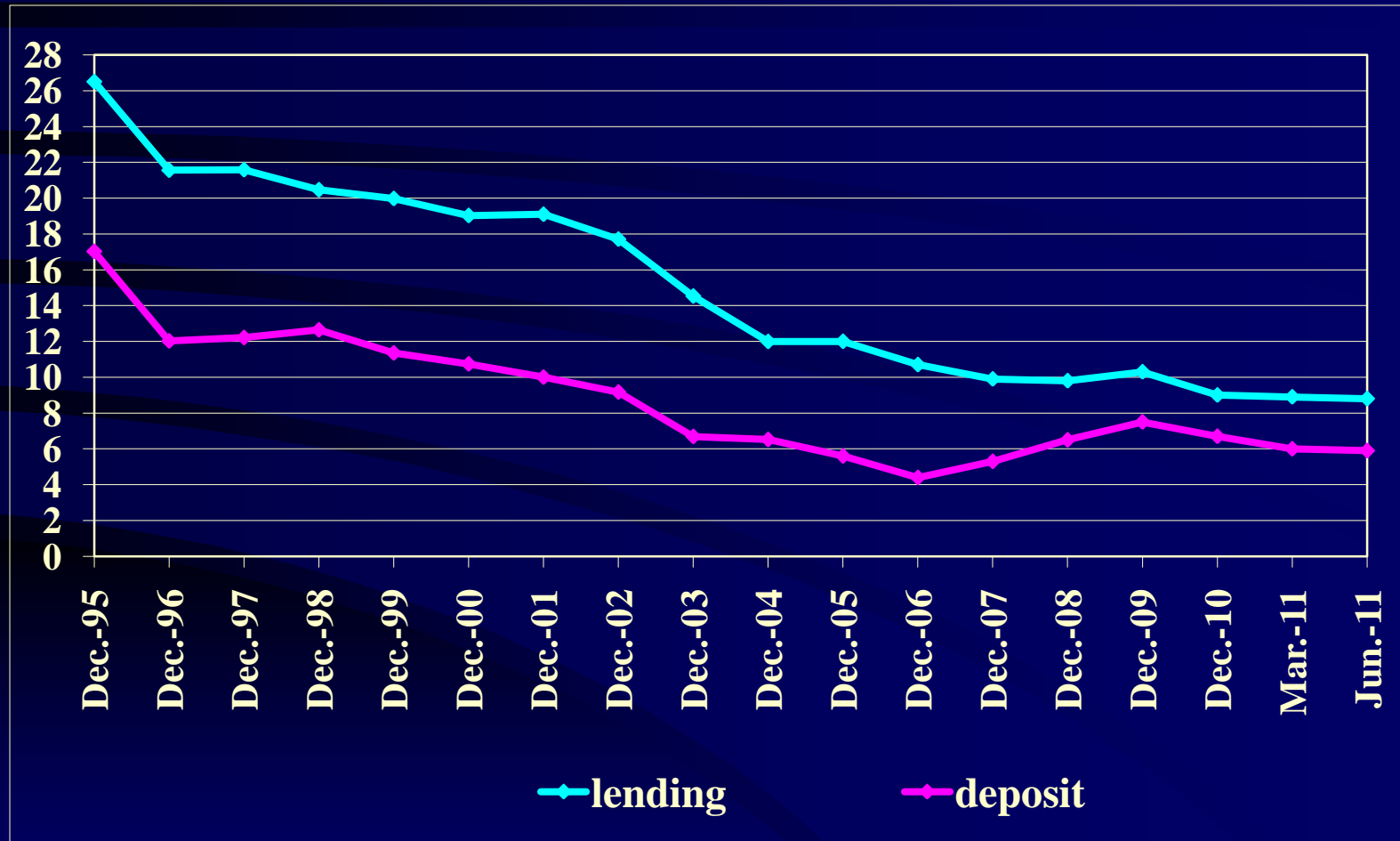
Fiscal performance (June 2011, in million denars)

	January - June		Index 2011/2010	January - June 2011	
	2010	2011		% share	% of plan
Total Budget revenues	61,842	67,477	109.1	100.0	45.5
1. Primary revenues	41,260	44,057	106.8	65.3	46.1
A. Tax revenues	34,537	37,413	108.3	55.4	47.0
- personal income tax	4,227	4,567	108.0	6.8	45.5
- profits tax	1,502	2,416	160.9	3.6	66.4
- VAT	17,938	19,974	111.4	29.6	48.4
- excises	6,682	7,110	106.4	10.5	44.7
- import duties	2,725	1,759	64.6	2.6	30.8
B. Non-tax revenues	6,723	6,644	98.8	9.8	41.3
2. Capital revenues	597	3,039	509.0	4.5	52.2
3. Foreign donations	848	508	59.9	0.8	13.4
Total Budget expenditures	67,917	75,191	110.7	100.0	47.0
1. Current expenditures	61,958	66,313	107.0	88.2	48.5
- wages, salaries and allowances	11,387	11,527	101.2	15.3	49.5
- goods and services	6,907	7,232	104.7	9.6	41.9
- transfers	42,773	46,459	108.6	61.8	50.0
- interest	892	1,095	122.8	1.5	34.0
2. Capital expenditures	5,959	8,878	149.0	11.8	38.0
Financing	6,075	7,715	127.0		
1. Borrowing from abroad	1,930	14,959	775.1		
2. Privatization receipts	0	0	-		
3. Domestic borrowing	2,217	416	18.8		
4. Deposits	6,057	-3,134	-		
5. Repayment of principal (outflow)	4,128	4,596	111.3		

Central Government Debt

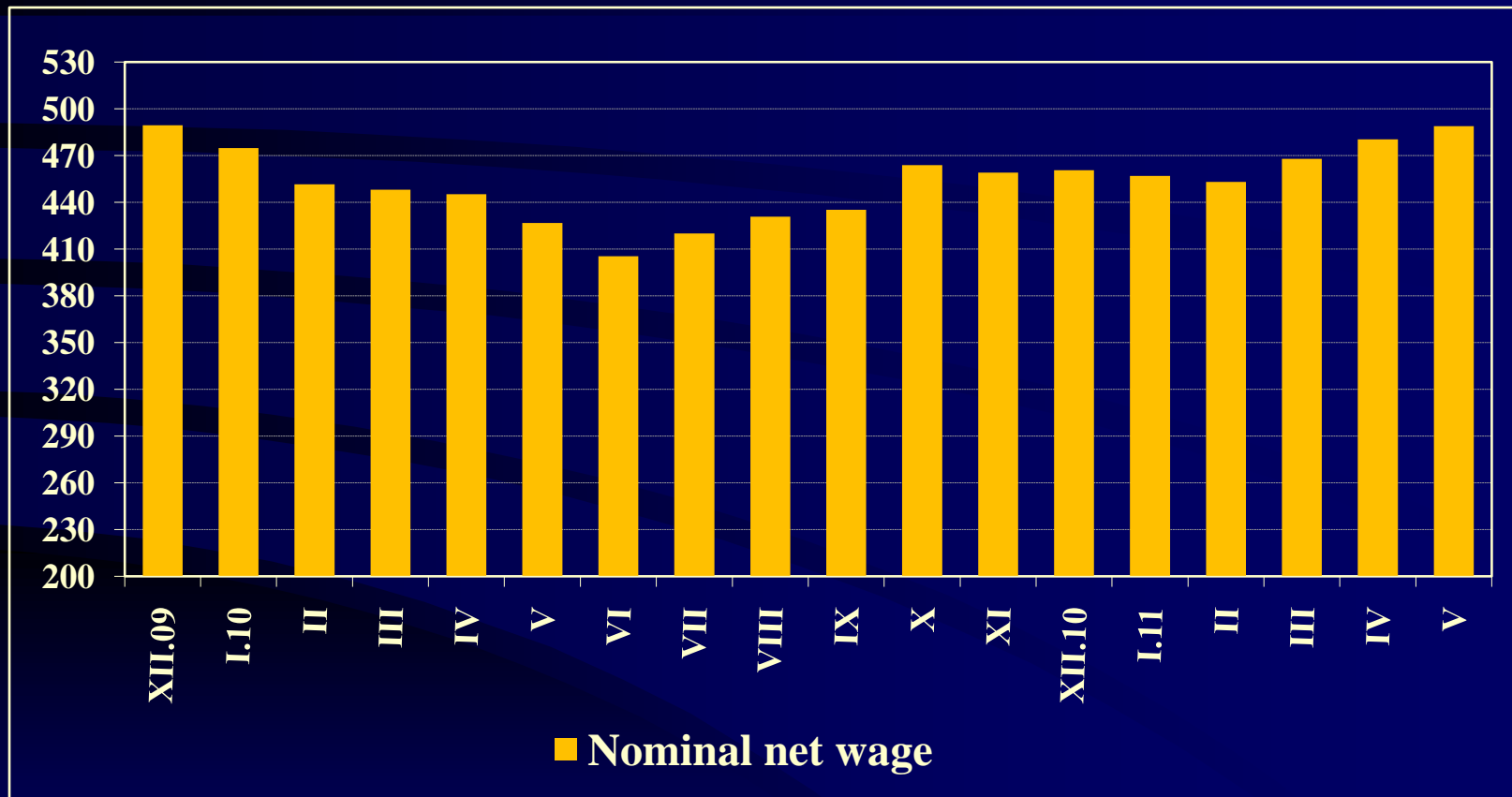


Nominal Weighted Interest Rates



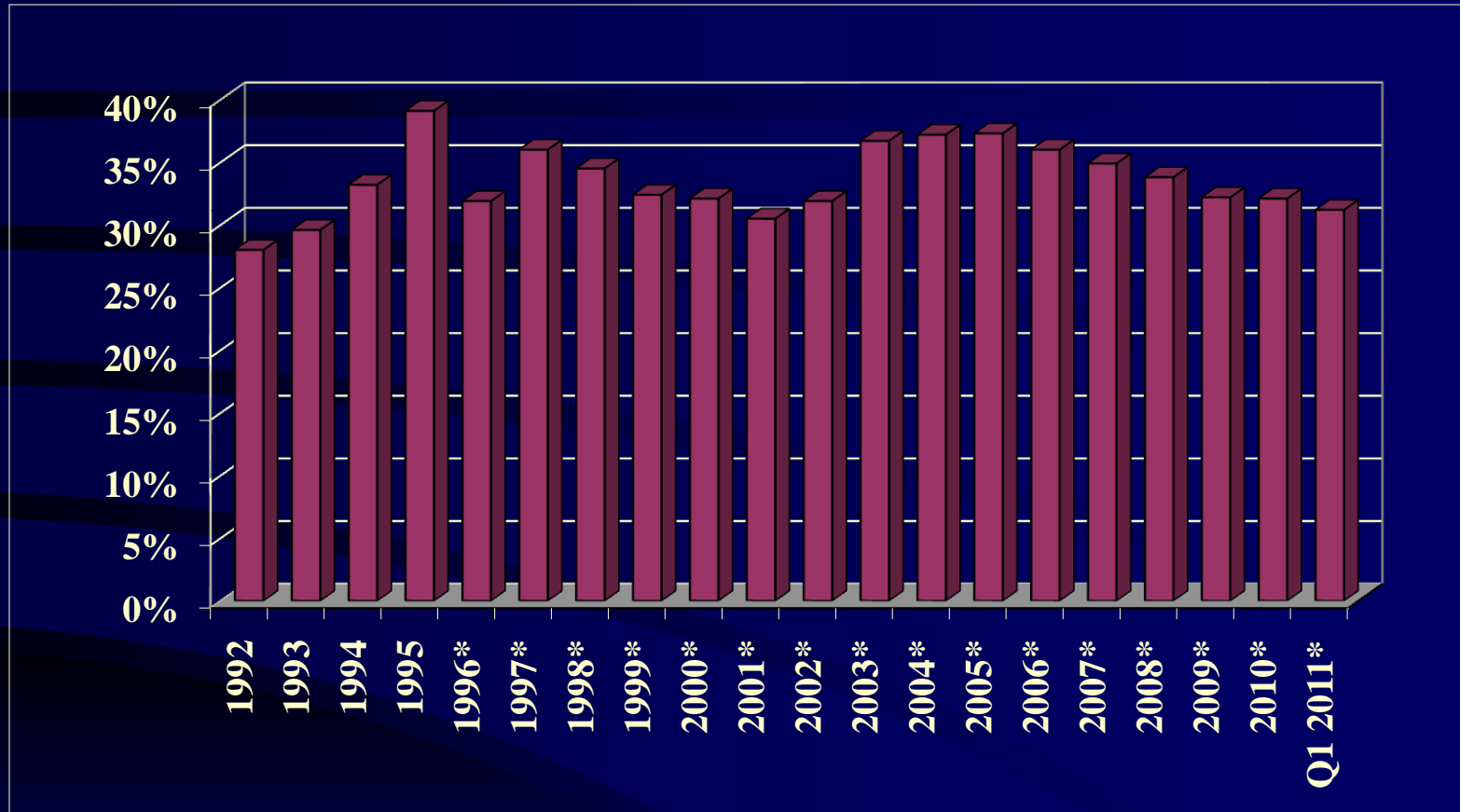
Nominal Net Wages

(in US\$)



2.0% of all employees have not received wage in May 2011

Unemployment (in percent)



* Source: Labor Force Survey (State Statistical Office)

- 30.9% of the population lived below the poverty line in 2010
- “gray economy” is estimated between 15% and 40% of GDP

Challenges

- Sustainable economic growth
- Maintain macroeconomic stability and fiscal discipline
- Continue structural reforms and improve the business climate
- Respect property rights and enforce the rule of law
- Judiciary reform
- Public administration reform
- Attract more FDI
- Continue battle against corruption, improve governance, reduce “gray economy”
- EU and NATO accession